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MICHIGAN'S CITIES

Thriving Communities for a Thriving Economy

Dynamic urban centers and thriving small towns are a key part of Governor Granholm's comprehensive economic plan.

Governor Granholm's economic plan has made investing in Michigan's communities a priority with billions of dollars in investment for local roads, bridges and sewers, affordable housing, and more. In 2006, the Governor's Local Jobs Today program is providing more than \$300 million in additional funding for local road and bridge projects. The state's brownfield redevelopment program is helping cities redevelop abandoned contaminated sites. In the last fiscal year alone, the state provided more than \$12 million to clean up brownfields in 15 communities, sparking more than \$347 million in investment. Programs like Cool Cities and Cities of Promise are creating vibrant neighborhoods and thriving downtowns.

Now, the Governor has proposed taking the next steps to help Michigan cities and their residents thrive.

Investing in Our Cities

Governor Granholm has proposed a significant change to revenue sharing – the money provided by the state for local government services. The Governor has proposed a 2.5 percent increase in revenue sharing funds. However, cities, villages and townships must demonstrate that they are sharing services as a way to save taxpayer money in order to receive the increased payments. Cities, villages and townships will need to have signed cooperative agreements in place to qualify for the additional funding.

In addition, the Governor will call for additional funding for local police and fire protection. The Governor's budget recommendation will recommend \$14 million in additional funding for communities hardest hit by crime and violence.

Making College Affordable for Families

Inspired by the privately initiated and financed Kalamazoo Promise, Governor Granholm is taking her quest for increased opportunity for higher education to another level. Announced in 2005, the Kalamazoo Promise guarantees students who graduate from the Kalamazoo Public Schools free tuition at any state university or community college in Michigan.

In less than two years, educators and community leaders in Kalamazoo are citing numerous indicators of the positive impact the Promise has had on that community, including increased graduation rates and college enrollment. The district gained 900 new students this year, the largest enrollment increase of any district in Michigan for the 2006-2007 school year. Property values have increased by almost 10 percent in Kalamazoo, while home prices have stagnated in the surrounding area. Developers are building new housing in the city, and economic development officials say the Promise is increasing interest in the community as the site of new business investment.

Governor Granholm is asking the Legislature to create “Promise” zones in cities with a combination of low rates of educational attainment and high rates of poverty and unemployment. Michigan’s Cities of Promise and other communities would be eligible to participate. Participating communities would need to show a significant local financial commitment to qualify for designation of the Promise Zone.

The zones would allow local communities to capture half the growth in state property tax revenues and use them to supplement local funds dedicated to making a “Promise” tuition guarantee. The state levies a 6 mill State Education Tax on all property in Michigan. These tax revenues are now committed to the School Aid Fund.

As the Promise Zones create higher property values and greater tax revenues in a community, the zones will capture that growth to continue to fund the Promise. Such zones or tax increment financing (TIF) districts are routinely used to finance development projects both in Michigan and around the nation. It is believed that Michigan’s Promise Zones will be the first in the nation to use a tax increment financing mechanism to expand the opportunity for higher education in a community.

Cities of Promise

In 2005, Governor Granholm unveiled “Cities of Promise,” an initiative aimed at encouraging hope for eight of Michigan’s most vulnerable cities: Saginaw, Flint, Detroit, Pontiac, Hamtramck, Highland Park, Benton Harbor, and Muskegon Heights.

Cities of Promise is a five-year initiative that requires eighteen state agencies and these eight cities to work together in a strategic, collaborative fashion to reduce poverty, spark economic development and investment, create jobs, and reduce blighted neighborhoods in these communities. The initiative is locally driven, with a city’s highest priorities being identified, addressed, and expedited.

In 2007, the Cities of Promise program will continue to focus on improving safety and security of residents, affordable housing, reducing crime rates, increasing educational achievement, reducing poverty rates, improving infrastructure, and creating cultural opportunities. In addition to locally driven initiatives, new or enhanced programs will include:

- ***Home Ownership***

The Granholm administration will partner with Michigan Habitat for Humanity to expand affordable housing options. Habitat has pledged to build at least 20 percent of their homes for 2007 in Cities of Promise, thanks in part to a \$500,000 funding grant from the Michigan State Housing Development Authority (MSHDA).

In addition, the Granholm administration will continue two programs that make low interest loans available to encourage homeownership.

The *College Graduate Homeownership Program* provides low interest loans for college graduates to buy homes in the Cities of Promise. This program, which was officially unveiled by the Governor and MSHDA in October 2006, has already closed on its first loan to a Saginaw Valley State University graduate.

The *Employer Assisted Housing Benefits Program* helps employers create their own housing benefit program and brings a zero-interest down payment loan of up to \$5,000 as a match for qualified employees. In the year ahead, MSHDA will build on its success in recruiting companies to participate in this program. Lansing’s Sparrow Hospital, the Detroit Medical Center, Albion College, Niowave, and Neogen already participate.

- ***Blight Removal***

One of the most common consequences of depopulation of our cities has been a significant increase in abandoned property and blight. Blighted buildings drain the morale of residents and business owners and contribute to loss of character within neighborhoods. Police and fire departments dedicate scarce resources to responding to vandalism, loitering, and drug activity complaints, and in most cases, owners are behind in their tax payments, values of properties surrounding these lots have dropped, and the neighborhoods involved are less safe. Blight demands bold and comprehensive policy response.

Governor Granholm has proposed a four-year investment to attack blight in our cities. The program, which will provide \$25 million to match an equal local investment, will help facilitate cleanup of 5,000 blighted properties in Michigan's Cities of Promise.